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RUEHKV/AMEMBASSY KIEV PRIORITY 0277  
RUEHLJ/AMEMBASSY LJUBLJANA PRIORITY 0061  
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SUBJECT: JAPAN-CENTRAL AND SOUTH EASTERN EUROPE RELATIONS:  
FOCUS ON INVESTMENT, ENERGY SECURITY AND FURTHER  
INVOLVEMENT IN KOSOVO

Classified By: Deputy Chief of Mission Joe Donovan. Reasons: 1.4(b/d)

11. (C) Summary. In a recent review of Japan's relations with Central Europe, MOFA officials related that ties with Poland, Czech Republic, Hungary and Slovakia are moving away from assistance and toward direct investment. Japan's relationship with Romania and Bulgaria is largely focused on energy security and reducing dependence on Russian oil. In the Balkans, Japan's ODA centers on "peace consolidation" and economic development. Prime Minister Koizumi considers Ukraine's President Yushchenko a hero, and views Ukraine as a possible counterweight to Russia. Finally, MOFA officials said that Japan is coming "more into line" with the United States and the EU regarding Belarus' human rights situation, but admitted that Tokyo is waiting for the U.S. and EU to take the lead. End summary.

Visegrad Four: From ODA to FDI  
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12. (C) Japan is in the process of phasing out its Official Development Assistance (ODA) to the Visegrad Four (Poland, Czech Republic, Hungary and Slovakia) and projects 2007 as the end date of all ODA to these countries, MOFA Central and South Eastern Europe Division Principal Deputy Director Tatsuya Machida told Embassy Tokyo Political Officer Kathleen Szpila recently. In contrast, Japan's foreign direct investment (FDI) is growing rapidly. It has almost doubled to Poland in the past three years. There are now a total of 63 Japanese companies in Poland, 63 in the Czech Republic and 59 in Hungary. Japan's current plan is to explore further investment opportunities using organizations such as the Poland-Japan Economic Committee, which was established to facilitate better communication and stronger relations between the business sectors of the two countries. Machida believes the political relationship between Japan and the Visegrad Four is strong, commenting that the Four are "more pro-Japan than the original EU member states."

13. (C) In a separate meeting, MOFA Economic Integration Division Principal Deputy Director Kaname Araki concurred

that Japan's investment in the Visegrad Four is increasing, but observed that it remains low compared to that of China. EU accession and the subsequent harmonization of laws and regulations have made investment in these countries easier, Araki observed. He singled out Hungary as actively trying to attract more FDI from Japan; however, he continued, the lack of qualified workers with a "Japanese-style work ethic" poses a constant hurdle for Japanese businesses operating in the region. Japan also needs to convince the Visegrad Four that the Japanese market is just as profitable as China and, contrary to what these countries may think, not protectionist.

#### Romania and Bulgaria: Bringing Oil to the Black Sea

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¶4. (C) Japan supports Romania's and Bulgaria's EU accession, Machida noted. Japan hopes both countries will become better trading partners through the creation of modern legal frameworks. Much of the focus of Japan's relationship with the two countries has been on energy security, including USD 180 million in assistance to construct a new container terminal in Romania's South Constanta Port and USD 1.28 million in assistance to expand the Bulgarian Port of Bourgas, both located on the Black Sea. Both projects are intended to facilitate the completion of the pipeline from the Caspian Sea through the Black Sea in order to reduce Eastern Europe's dependence on Russian oil. Machida pointed to the NATO Foreign Ministerial conference as an opportunity for Japan to coordinate with Romania and Bulgaria on energy security issues.

¶5. (C) Japan has also successfully established bilateral MOUs

with Bulgaria and Romania to implement the Clean Development Mechanism (CDM) to reduce carbon dioxide emissions, explained Machida. These non-binding MOUs clear the way for Japanese companies to invest in emissions control equipment in new Bulgarian and Romanian factories in return for Japan receiving credit for emissions reduction under the Kyoto Protocol.

#### Balkans: The Focus on Kosovo

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¶6. (C) Japan currently has three embassies in the Balkans - in Croatia, Slovenia and Serbia - while Japan's missions in Vienna and Rome cover Macedonia and Albania, respectively. Total ODA for the Balkan region was close to USD 1.07 billion in 2004 and focused on "peace consolidation," economic development and regional cooperation. Kosovo independence is not a question of "if" it will happen, but of "how" it will happen, Machida noted. He expressed concern about the rights and status of minorities within Kosovo and dismay that the Serbian government's inflexible stance has stalled negotiations. Japan appears sympathetic to the Albanians, Machida continued, but its official position is "neutral." Overall, Japan views Kosovo as a global issue and not strictly an EU problem. Machida relayed that Japan's objectives in Kosovo are to be included in contact groups, to maintain close contact with the UN and, once Kosovo is stable, to re-double its economic investment efforts.

#### Ukraine: Possible Counterweight to Russia

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¶7. (C) Since "Koizumi loves heros," and he views Yushchenko as the hero of the Orange Revolution, Ukrainian President Viktor Yushchenko's July 2005 trip to Japan produced a "very good meeting" that fostered a positive relationship between Prime Minister Koizumi and Yushchenko, Machida observed. The creation of the Ministerial-level Japan-Ukraine Cooperation Committee demonstrates Japan's desire to create a deeper relationship with Ukraine. Yushchenko follows a middle road between Russia and EU, claimed Machida, and is not as EU-centric as he is sometimes portrayed. Machida expressed concern at possible friction between Ukraine and Russia,

citing the recent disruption of gas supplies to Ukraine as highlighting the weaknesses in European energy security and its vulnerability to Russia's whims. Japan views Ukraine as a possible counter to Russia in the upcoming G-8 summit, and is currently seeking high-level talks with Ukraine on the margins of the G-8. Japan's ODA contribution of USD 1.71 million in 2005 targeted the development of Ukraine's transport infrastructure.

#### Belarus: Considering Sanctions

18. (C) Japan is coming "more in line" with the United States and European Union regarding the human rights situation in Belarus, Machida stated. After the recent Belarus presidential elections, Japan issued a press statement urging the Belarus authorities to pursue democratic principles, and expressed regret that many undemocratic acts were observed during the election. Two official "calls of concern" were placed to the Belarussian Charg in Tokyo that, according to Machida, signaled a tougher response. The Japanese Embassy in Minsk declined an invitation to attend President Aleksander Lukashenko's inauguration. Japan has carefully been reviewing its options with regards to possible sanctions against Belarus, confided Machida, but is waiting for the United States and the EU to take the lead. While official contact may be dwindling, Japan still operates its people-to-people exchanges with Belarus; in 2005 a Belarussian journalist and democracy activist came to Japan and this year Japan plans to host a Belarussian professor. SCHIEFFER